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BULLETIN NO. 2003-04

January 13, 2003

TO: ALL LENDERS, AGENTS, ORIGNATORS, SARS, HOLDERS & SERVICERS, AND REAL ESTATE PROFESSIONALS

SUBJ: THE VETERANS BENEFITS ACT OF 2002

Purpose

The President signed Public Law 107-330, The Veterans Benefits Act of 2002, on December 6, 2002. This circular explains provisions of the bill that affect the Loan Guaranty Program.

Benefit Changes

a. Hybrid Adjustable Rate Mortgages (HARM): The law authorizes VA to carry out a demonstration project to guarantee HARM for Fiscal Years 2004 and 2005. For purposes of this law, HARM is a mortgage that specifies an initial rate of interest that is fixed for a period of at least 3 years. After that period the rate can be adjusted annually up or down **not more** than 1 percentage point. The maximum increase in rate over the life of the loan will be 5 percentage points. **IMPORTANT!! Please note that the law does not authorize VA to guarantee any HARM loan before October 1, 2003 (FY 2004). We will be providing more detailed instructions in the coming months.**

b. Loan Assumption Fee: The funding fee for the assumption of existing loans is increased from 0.5 percent to 1 percent. The effective date of the increase is December 13, 2002. The increase will remain in effect through September 30, 2003.

c. VMLI (Veterans Mortgage Life Insurance): Currently, VMLI terminates when a veteran turns 70. The law will now permit veterans who have obtained VMLI to retain it for as long as they wish even after they reach their 70th birthday. Those veterans will have their premium adjusted automatically, unless they decline to retain coverage. However, VMLI still cannot be issued to veterans who have already reached age 70. In this context, eligible veterans are those who are receiving or have received assistance under the Specially Adapted Housing Grant Program.

d. Soldiers and Sailors Civil Relief Act: The law extends protection under this act to members of the National Guard who have been called to active service for a period of more than 30 consecutive days under section 502(f) of title 32, United States Code, for purposes of responding to a national emergency declared by the President and supported by federal funds.

RESCISSION

This bulletin is rescinded January 1, 2004.

R. BIAGIOLI
Loan Guaranty Officer